Building the Future

of Nova Scotia's Workplace Safety and Insurance System

Report and Recommendations to the Government of Nova Scotia

Strategic Plan 2004–2008
Recommendations for Benefit and System Enhancements

Fall 2003

Building the Future of Nova Scotia's Workplace Safety and Insurance System

Following the April, 2002 release of *The Nova Scotia Workers' Compensation Program – A Focused Review* (the Dorsey Report) the Government of Nova Scotia asked the Chair of the Workers' Compensation Board of Directors to:

- engage stakeholders and the system agencies and lead the development of a strategic plan for Nova Scotia's occupational health and safety and workers' compensation system; and
- make recommendations for enhancements to workers' compensation benefits and coverage.

Over the past year, key stakeholders, including labour unions, employer associations, safety consultants, safety associations, injured workers' groups, health care representatives, private employers and professional associations have been engaged in a consultation process. This has resulted in this report, *Building the Future of Nova Scotia's Workplace Safety and Insurance System.*

For the first time employers, workers, injured workers and service providers have come together to provide input on the System's priorities and directions. The partner agencies (the Workers' Compensation Board, Workers' Compensation Appeals Tribunal, Workers' Advisers Program and the Occupational Health and Safety Division of the Nova Scotia Department of Environment and Labour) have a common strategy in place to co-ordinate and improve service delivery with a vision of safe, healthy workplaces for Nova Scotians and sustainable safety and insurance services.

The key priorities, as identified by stakeholders, are:

- Preventing workplace injury and illness;
- Improved benefits for those who are injured at work;
- Enhanced stakeholder consultation;
- Enhanced accountability by monitoring progress with system performance measures; and
- Financial stability of the System.

Workplace Safety and Insurance System Strategic Plan

Over the next five years, stakeholders can expect to see improvements in terms of what the system does, how it does these things and the outcomes and results it delivers. As a start there will be:

Prevention
- Enhancement of the new Education and Prevention Unit at the WCB to support a System-wide prevention program.
- A social marketing campaign to increase public awareness of workplace safety.
- Safety consulting services for employers most in need of improved safety practices.

Improved Service Delivery
- Increased focus on partnering to develop return-to-work programs and plans.
- New methods for resolving claims-related issues earlier and less formally.

Consultation
- Stakeholders will be consulted to provide input and advice on significant workers' compensation policy issues, strategic planning for the System and other changes that could have significant financial implications. For example, the WCB will rely upon the expertise of the Occupational Health and Safety Advisory Council during development of the Prevention Program.
- A stakeholder-based committee to give advice on System Performance Measures.

Accessibility
- New service channels.
- A new Workplace Safety and Insurance System Web site.

Accountability
- An annual stakeholder meeting to report progress on the strategic plan.
- Quarterly reports from each agency.
- A change in the philosophy of partner agencies as they begin to co-operatively plan, implement and evaluate results as a System.

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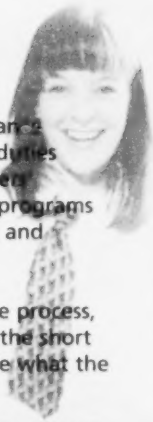
Recommendations to Government for Benefit and System Enhancements



The WCB Board of Directors, a stakeholder representative body itself is responsible for the governance of the Workers' Compensation Board, and for the exercise of the powers and performance of the duties as set out in the *Workers' Compensation Act*. The Board of Directors oversees the delivery of workers' compensation programs, develops policies in accordance with the *Act* to achieve delivery of these programs (including setting of assessment rates and a strategy for the elimination of the unfunded liability), and develops legislative proposals for consideration by Government.

The WCB Board of Directors, after considering the views of all stakeholders who participated in the process, is now making the following recommendations to Government for changes to be implemented in the short term. These changes require legislative amendments. The recommendations outlined below include what the Board of Directors believes is an emerging stakeholder consensus on this issue.

Recommendations for Benefit and System Enhancements

Effective October 2002

- Supplementary Benefits Enhancements (completed)

Effective January 1, 2004

- Increase indexing from 50% to 55% of the increase in the Consumer Price Index (CPI). This will be reviewed annually, in consultation with stakeholders, with an eventual target of reaching 85% of CPI.
- WCAT to give an employer involved in an appeal a copy of relevant documents.
- With the consent of all parties, WCAT to be able to correct errors of jurisdiction, breaches of natural justice and breaches of the duty of fairness.
- WAP to have right of access to the WCB file of a worker it represents.
- Agencies will publicly report results of the monitoring for compliance with statutory requirements each year.
- An annual stakeholder meeting will be held in the spring of each year.
- Amend the *Occupational Health and Safety Act* and the *Workers' Compensation Act* to officially transfer responsibility for prevention and education from the Occupational Health and Safety Division to the Workers' Compensation Board.
  Recommended to be effective January 1, 2003.
- Government to provide funding to injured worker associations based on objective criteria and the services they provide to members or provide the authority to the WCB in the *Workers' Compensation Act* to consider this.

Effective January 1, 2005

- Increase maximum assessable/insurable earnings from 140.2% to 152% of the Average Industrial Wage.
- Repeal the three-worker rule.
- Cover family members regardless of where they live.
- Be able to extend Special Protection coverage to those excluded by the *Act*.
- Be able to extend coverage to both unpaid student workers (such as student nurses) who are participating in an educational program as well as active officers, directors and managers not on payroll.
- Eliminate the counting discrepancy between sole proprietors/partners and active directors on payroll.*
- Adopt a list of excluded industries only.

**When counting the number of workers in a company, sole proprietors/partners would be counted. They would not be covered, however, unless they purchased Special Protection coverage. If the three-worker rule is repealed, this change will not be required.*

Recommendations for Consideration at a Later Date

The WCB Board of Directors recognizes that it is not possible at this time to implement certain other Dorsey recommendations while maintaining assessment rates at current levels and achieving full funding by 2014. The Board of Directors will review these recommendations from Dorsey and other recommendations that arose through the consultation process over time as fiscal stability of the Workplace Safety and Insurance System is achieved. When funds are available in excess of those required to eliminate the unfunded liability by 2014, the Board of Directors will consider the options for moving forward on more of these recommendations. This would be discussed with stakeholders at the annual meeting. Recommendations to be considered in the future include:

- Increasing indexing of benefits, providing an increased percentage of the Consumer Price Index (CPI).
- Commutation of permanent benefits (making a lump sum payment instead of providing an ongoing benefit).
- Elimination of the 2/5ths waiting period.
- Establishing a minimum level of earnings for workers with prior periods of no, or unusually low, earnings.
- Implementing universal coverage, making workers' compensation coverage compulsory for all industries in Nova Scotia.
- An eventual reduction in assessment rates.

In addition, the Board of Directors proposes that a formal review of the Dorsey recommendations should occur five years from approval of the strategic plan.

Building the Future of Nova Scotia's Workplace Safety and Insurance System

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Financial Implications

Assessment Rates

It is anticipated that with this plan, barring any unforeseen circumstances, assessment rates will remain stable until the elimination of the unfunded liability, which is currently anticipated to occur in 2014.

Funding Strategy

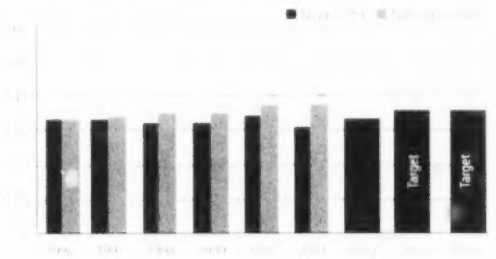
The funding of the strategic plan and the additional benefits (including the enhancements to the Supplementary Benefits that were implemented in late 2002) can be achieved by a combination of: the increase in the average assessment rate from $2.54 to $2.57 in 2004; increased revenues from the proposed 2005 coverage changes; savings generated by injury-prevention activities; improving claim durations; and the actual long-term disability results continuing to be better than originally predicted.

Given the current financial context, the Board of Directors, in responding to the Dorsey Report, aims to reach a balance between fair benefits to injured workers, reasonable assessment rates and fiscal sustainability. Rate and benefit adjustments will be reviewed as the financial situation improves. When funds are available in excess of those required to eliminate the unfunded liability by 2014, the Board of Directors will consider the options for moving forward on more of the recommendations from Dorsey and System stakeholders.

Financial Background

The WCB administrative costs have consistently been below the national average. In 2002, the WCB of Nova Scotia's administrative cost per $100 of assessable payroll is $0.33 per $100, while the national average for 2000 and 2001 was $0.38.

Administrative Costs



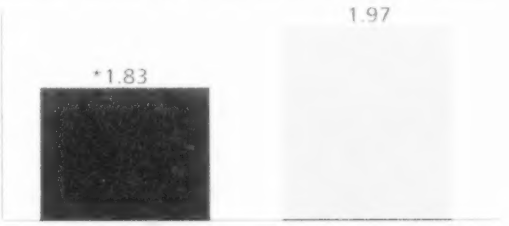
The average assessment rate has been held stable at $2.54 for $100 of assessable payroll since 1994. During this time, the WCB has made progress in improving its funded percentage (ratio of assets to liabilities) from 27% in 1993 to 73% at the end of 2002.

Rate vs Funded Percentage

However, because of a pre-1994 yearly funding shortage, the WCB of Nova Scotia continues to allocate a substantial portion of the average assessment rate to help eliminate the unfunded liability.

Nova Scotia's costs compare favourably to the Canadian average when the allocation for the unfunded liability is considered.

Assessment Rate per hundred dollars of payroll 2002



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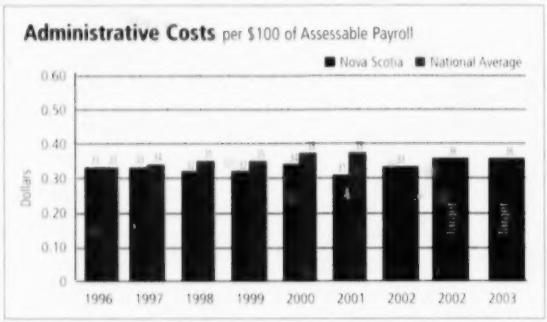

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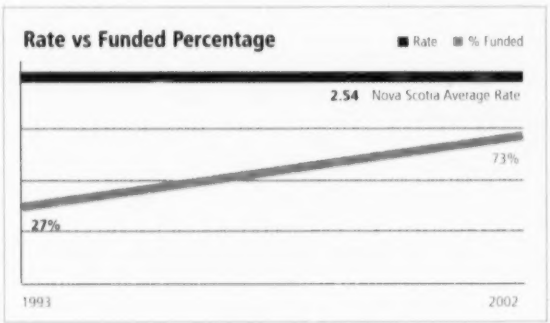

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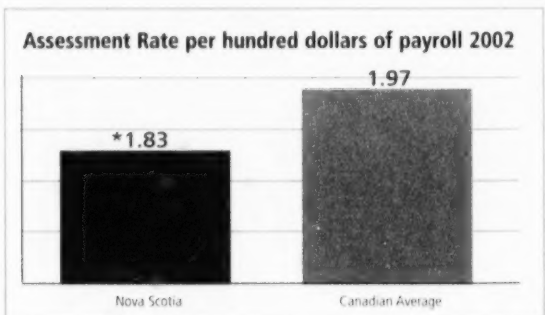

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